



OFFICE OF THE SECRETARY OF DEFENSE

1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000



29 MAY 2002

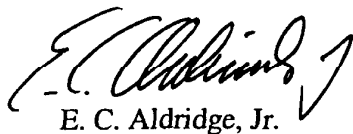
MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Business Rules for End-to-End Finance and Procurement Joint Concept of Operations

The Department of Defense has developed a set of standard business rules to establish policy guidance and data relationships. These rules will enable system programmers and business analysts to code the automated systems, and write the implementing regulations regarding commitment, obligation, and payment processing in the Standard Procurement System (SPS), and the Defense Finance and Accounting Service Corporate Information Infrastructure (DCII) environment.

The intent of the business rules is to adopt uniform business practices that will permit the efficient interface of automated procurement and contract payment systems. The attached business rules shall be effective for all contract actions written or processed within the SPS/DCII environment.

Staff points of contact for this matter are: Ms. Terry Moore, who may be reached by e-mail: terry.moore@osd.mil or by telephone at (703) 695-1097, and Ms. Eileen Parlow, who may be reached by e-mail: parlowe@osd.pentagon.mil or by telephone at (703) 697-7297.



E. C. Aldridge, Jr.
Under Secretary of Defense
(Acquisition, Technology, and Logistics)



Dov S. Zakheim
Under Secretary of Defense
(Comptroller)

Attachment

FEDERAL RECYCLING PROGRAM



PRINTED ON RECYCLED PAPER

Purpose

The purpose of these rules is to establish the policy guidance and data relationships to enable system programmers and business analysts to code the automated systems and write the implementing regulations regarding commitment, obligation, and payment processing in the Standard Procurement System (SPS)/Defense Finance and Accounting Service (DFAS) Corporate Information Infrastructure (DCII) environment.

Applicability

These rules apply to all contract actions written and processed within the SPS/DCII environment. The DCII includes the DFAS Corporate Database (DCD), the Defense Procurement Payment System (DPPS), and the Defense Standard Disbursing System (DSDS).

Business Rules

1. Commitments and Obligations

- (a) Commitment accounting is required regardless of the appropriation or funds used.
- (b) A commitment must be recorded in the accounting system prior to incurring an obligation or disbursing funds.
- (c) A certified funding document must be recorded as a commitment at the time it is submitted to the contracting office or approved by the fundholder, whichever occurs first. (A "certified funding document" refers to a document that has been approved by the fundholder and that reserves funds for a particular purpose. Examples include, but are not limited to, a purchase request or administrative commitment document. A certified funding document does not include documents that are used for planning purposes only and that do not reserve funds.)
- (d) The office designated responsible for recording obligations must record obligations in the accounting system at the time they are incurred, or as close to the time of incurrence as is feasible. In no instance may obligations be recorded any later than ten calendar days following the day that an obligation is incurred. Refer to Volume 3, Chapter 8 of the "Department of Defense Financial Management Regulation" for specific requirements.

2. Commitment Identification Number

- (a) A "Commitment Identification Number (CIN)" refers to a unique number associated with a specific line of accounting. The CIN is used to record a commitment and then match that commitment to the subsequent obligation(s) within the financial management and contracting systems. For example, a CIN may be a Purchase Requisition Number. It may not exceed 30 characters in length.
- (b) There may be more than one purchase requisition, CIN, or contract line item number (CLIN), subline item number (SLIN), or exhibit line item number (ELIN) related to the same line of accounting.
- (c) No obligation recorded in the accounting system may relate to more than one line of accounting.

- (d) There may be more than one CLIN, SLIN, or ELIN and obligation amount related to the same CIN.
- (e) The CIN(s), along with the associated obligation amount(s), must be cited on assistance instruments, such as cooperative agreements and grants.
- (f) A contract obligation recorded in the accounting system is identified by the combination of the Procurement Instrument Identification Number, the Supplemental Procurement Instrument Identification Number, the CLIN (or the SLIN or ELIN, if applicable), the Line of Accounting, and the dollar amount.

3. Contract Line Items

- (a) A contract may have multiple CLINs, SLINs, and/or ELINs.
- (b) A contract may have multiple informational subline items for nonseverable items.
- (c) Except for not separately priced (NSP) items, each CLIN, SLIN, ELIN, or informational subline item, along with the associated CIN(s) and obligation (s) amount(s), shall be captured as a discrete data element.
- (d) Each individual CLIN, SLIN, ELIN, or informational subline item, may not be funded by more than one CIN and one obligation amount unless the CINs and obligation amounts are related to the same line of accounting.
- (e) The alphanumeric identifier for the CLIN, SLIN, or ELIN and the monetary currency (i.e., type of currency such as British pounds or U.S. dollars) used to make payments may not be modified following payment, including financing payments.
- (f) The unit of measure (e.g., liters, gallons, pounds, etc.) may be changed after financing payments have been made but must not be changed following an invoice payment (i.e., payment for delivery of items or services).
- (g) If a change is required to the CLIN, SLIN, or ELIN or the monetary currency after any payment is made, or to the unit of measure after an invoice payment has been made, a new CLIN, SLIN, or ELIN must be established. The new CLIN, SLIN, or ELIN obligation must be recorded in the accounting system, and the remaining balance on the original CLIN, SLIN, or ELIN must be applied to the new contract line item.
- (h) Any adjustments to price or obligation amounts shall identify the specific CLIN(s), SLIN(s), or ELIN(s) to be adjusted and the amount(s) by which each is to be adjusted.
- (i) CLINs, SLINs, and ELINs may not have a negative unit price or negative extended value.

4. Miscellaneous Charges

- (a) Miscellaneous charges are certain costs pertinent to the contract incurred by the vendor such as freight or taxes, which are reimbursable to the vendor. Miscellaneous charges must be estimated and obligated at time of award.
- (b) All miscellaneous charges must have a CIN, a CLIN, SLIN, or ELIN, and a dollar amount. Unit of measure (lot), quantity, unit price and extended price shall be captured at the CLIN, SLIN, or ELIN level.
- (c) Miscellaneous charges, with the exception of transportation, may be grouped into a single CLIN, provided that the charges are funded with the same CIN.

- (d) For transportation charges that exceed the initial estimate, the payment system shall interface with the appropriate financial management system to commit and obligate the additional funds required and subsequently make payment without requiring a contract modification.

5. Receipt and Acceptance

- (a) Vendors should and receiving activities must submit invoices and receiving reports electronically.
- (b) If authorized by the contract, an accepted receiving report that is approved by the appropriate government official shall function both as an invoice and as a receiving report. The accepted receiving report identified in the contract shall eliminate the need for a separate invoice document to be sent in addition to the acceptance document. The accepted receiving report shall serve as a "proper invoice" subject to the provisions of the Prompt Payment Act. This form of invoicing, commonly known as "delivery ticket invoicing," must be authorized by the contract to differentiate it from all other payment requests, where document matching must still occur.

6. Miscellaneous

- (a) New Department of Defense Activity Addressing Codes will be established for the paying office(s) that will process payments through the designated standard payment system(s).
- (b) For all contracts, excess funds shall be deobligated at time of contract closeout by the office responsible for recording obligations of the funds cited on the contract.
- (c) When a vendor is exempted from registration in the Central Contractor Registration (CCR) system (see Defense Federal Acquisition Regulation Supplement 204.7302), the contracting officer must provide remittance information in section G of the contract.